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A Little Truth, a Lot of Clarity
by Senator Larry Craig

During a visit to Indiana, Ronald Reagan once said, "If the federal government had been around when the Creator was putting His hand to this state, Indiana wouldn't be here. It'd still be waiting for an environmental impact statement." Although this comment was made in good humor, I have long found the logic beneath it to be true. While often well-meaning, the federal government is rarely as competent and efficient as the private sector in solving problems.

A great example of this principle is the prescription drug benefit known as Medicare Part D. Part D has been more successful than anticipated, in large part, because it harnesses the competitive nature of the free market. In fact, the Centers for Medicare and Medicaid Services (CMS) reported recently that because of free market competition, the average Part D premium for 2007 will be $22 a month – 40 percent cheaper than initially estimated.

A November 29 story from the Associated Press noted that competition between the different plans offered by different companies reduced the cost of Part D by almost $7 billion for fiscal year 2006, and CMS estimates that competition will reduce costs by about $96 billion between now and 2016. That is the free market at work, folks.

In spite of the evidence, however, some of my Democrat colleagues in Congress still believe the federal government could do better. They believe that the government, representing 43 million seniors, can negotiate lower prices for medications. Make no mistake, however – this would have disastrous results. Government domination in buying goods or services ultimately causes consolidation of producers in the marketplace, a reduction of competition, a lack of innovation, and fewer consumer choices. The result would be a less-efficient, more expensive Part D program.

Democrats point to the Department of Veterans Affairs (VA) as an effective example of government negotiation. But Medicare represents a far greater number of consumers, and would be the predominant – and in some cases the only – purchaser in what would become a severely limited marketplace. This would allow the government to effectively dictate the price for many prescription drugs. The gas shortages of the 1970s were a good example of what happens when government sets prices instead of the market.

In this case, the result would likely be less competition between drug companies and less innovation to develop new drugs. Today's life-saving medications are the product of the drug prices my

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parents paid during their lifetime. That price yielded a fair return on investment and supported the research and development that led to the discovery of the new lifesaving drugs keeping many Americans alive and healthy today. Allowing Medicare to set prices would deny the innovation dollar for research and development of the new prescription drugs that will help our children and grandchildren down the road.

Uncle Sam buys thousands of cars, desks, reams of paper, computers and yes – prescription drugs – every year. However, in all those cases, the government buys them as just another customer in a robust marketplace. Competition lives on, and the government gets newer, better products at lower cost each year – just like every other consumer.

This is because the market – not the government – sets the price of goods and services. We should remember what Ronald Reagan knew all too well – with the federal government controlling the market, we'd be in bad shape. That little truth brings a lot of clarity.

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